

Alliance Health and Life Insurance Company
Small Group ACA Compliant Business
Part III – Actuarial Memorandum and Certification

OVERVIEW

This filing document contains the Part III Actuarial Memorandum for Alliance Health and Life Insurance Company's (AHL) small group comprehensive medical block of business, effective January 1, 2027 through December 31, 2027. These revised small group rates are guaranteed for 12 months following the effective date. These products are offered off the Small Group Insurance Exchange only. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT).

The purpose of the Actuarial Memorandum is to provide certain information related to the submission of premium rate filings, including support for the values entered in the Part I URRT, which supports compliance with the market rating rules and reasonableness of applicable rate increases. This memorandum may not be appropriate for other purposes. **Please note that projections may not tie exactly to the URRT due to differences in rounding conventions.**

The information in this Actuarial Memorandum is intended for use by the Michigan Department of Insurance and Financial Services (DIFS), the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of AHL's small group rate filing. However, we recognize that this certification may become a public document. We make no representations or warranties regarding the contents of this Actuarial Memorandum or rate filing to other users.

The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions.

The 2027 plan year premium rates provided in this Actuarial Memorandum were developed based upon the current Affordable Care Act (ACA) statutes and regulations, relevant CMS and HHS guidance, Executive Orders, and court decisions in full force and effect as of the date this Actuarial Memorandum is submitted. Accordingly, the rates provided in this Actuarial Memorandum are contingent upon the current ACA statutes and regulations, relevant CMS and HHS guidance, Executive Orders, and court decisions not changing. Accordingly, AHL retains and reserves the right to amend this Actuarial Memorandum and plan premium rates should there be any changes to the ACA statutes and regulations, relevant CMS and HHS guidance, Executive Orders, and court decisions. In particular, we note that we have not made any adjustments for American Rescue Plan legislation. Any such changes will not be implemented without DIFS approval and any filings for subsequent rate changes will not be submitted without first receiving guidance from DIFS that it is appropriate to do so.

4.2 GENERAL INFORMATION

Company Identifying Information

Company Legal Name:	Alliance Health and Life Insurance Company
Address:	3031 West Grand Blvd, Detroit MI 48202
State:	Michigan
HIOS Issuer ID:	67577
Market:	Small Group
Effective Date:	January 1, 2027

Company Contact Information

Primary Contact Name:	John Diorio
Primary Contact Telephone Number:	248 776 3467
Primary Contact Email Address:	jdiorio1@HAP.org

Review Requested

A rate change review is requested.

Description of Benefits

These products provide comprehensive medical benefits for services received within the provider network. The products have various cost sharing designs which are a combination of deductibles, coinsurance, and copayments that vary for in-network services.

Products 67577MI040 and 67577MI041 are PPO and EPO products with Platinum, Gold, Silver, and Bronze benefit plan options and provide coverage for inpatient, outpatient, physician, prescription drugs, and miscellaneous services subject to deductible, coinsurance, and copays. All member cost-sharing (deductibles, coinsurance, and copays) accrue toward the annual out-of-pocket maximum. Pharmacy cost sharing reflects a six-tier (preferred generic, non-preferred generic, preferred brand, non-preferred brand, preferred specialty, and non-preferred specialty) copayment or coinsurance.

All plans within the products have the same Essential Health Benefits (EHBs). All products include the non-EHB benefit category of adult vision. No EHB substitutions were made.

Effective Date of Requested Rate Adjustments

The effective date of requested rate adjustments is January 1, 2027.

SERFF Tracking Number, Binder Number, and Effective Date of Prior Filing

The SERFF tracking number of the prior filing is HALP-134512021. The binder number of the prior filing is HALP-MI26-125120137.

The effective date of the prior filing is January 1, 2026.

4.3 PROPOSED RATE CHANGES

We develop premium rates for these small group plans using AHL's January 1, 2025 – December 31, 2025 small group experience, in conjunction with internal research proprietary to AHL and other industry studies and surveys. We consider a number of items in developing the premium rates, including but not necessarily limited to:

- Projected morbidity level of the population anticipated to purchase the products
- Proposed benefit plan designs
- Anticipated medical trend, both utilization and cost of services
- Applicable taxes and fees, including those newly applicable since 2014 under ACA
- Anticipated risk adjustment payments (receipts)

This memorandum addresses the rate increase requested for AHL's small group PPO and EPO products, which impacts 2027 renewals. AHL's total single risk pool has 16,845 members as of February 2026. The rate increase being requested, weighted by current enrollment for AHL's products, is an aggregate 11.59%. The requested rate increase varies by plan, area, and renewal quarter with a minimum change of 5.0% and a maximum change of 14.1%. These rates are effective for 12 months beginning January 1, 2027. Quarterly trend rates are used to adjust rates for effective quarters after the first quarter of 2027.

Reason for Rate Change

The following are the key drivers of the requested rate change. **Please note that these changes are based on the average rate change across the four effective quarters of 2027 relative to the average across the four effective quarters in 2026.**

- Base Experience – AHL's small group ACA experience is the basis for AHL's 2026 premium rates. AHL's claims experience is impacting rates by 1.6%.
- Trend – AHL's 2027 annual claims trend is approximately 11.5%.
- Risk Adjustment – The projected risk adjustment transfer has been updated relative to the filing approved effective January 1, 2026. This impacts the rate change by 2.3%.
- Retention Charges – The load for retention is decreasing relative to the filing approved effective January 1, 2026. This impacts the rate change by -3.8%.

Table 1 Alliance Health and Life Insurance Company Michigan Small Group ACA Plans Approximate Rate Change Development	
Emerging Experience	1.6%
Trend (Medical Inflation and Increased Utilization)	11.5%
Risk Adjustment	2.3%
Changes in Retention Charges	-3.8%
2026 to 2027 Rate Change	11.59%

There are a number of 2026 to 2027 plan-specific changes that cause the rate increase to vary by plan, including changes in plan benefits, pricing model changes in determining pricing values, and the plan design behavior factors. We apply these changes at the benefit plan level, resulting in different rate increases by plan. Exhibit 1 displays the rate changes by plan. Note, these rates match the Rate Template but will differ by \$0.01 from rates on other Exhibits to comply with the 3:1 age rating restriction.

As required by the Affordable Care Act, plan specific rates do not reflect plan specific morbidity or plan specific claims experience. The market adjusted index rate was developed using the historical claims experience of the overall single risk pool. The benefit factors were derived from a standardized pricing model and were applied to the calibrated market adjusted index rate to determine the plan-adjusted index rate.

Average Annual Premium

The average annual premium before the requested rate change is \$7,467.68.

The average annual premium after the requested rate change is \$8,333.48. It is 12 times \$694.46 PMPM.

Number of Policyholders and Covered Lives

There are 8,773 policyholders and 16,845 covered lives in February 2026.

4.4 MARKET EXPERIENCE

4.4.1 EXPERIENCE AND CURRENT PERIOD PREMIUM, CLAIMS AND ENROLLMENT

AHL contracts with provider networks to provide medical and pharmacy care to its members. AHL contracts with carriers on a fee-for-service basis. AHL also has capitated arrangements for hearing services. AHL's actual claims for services and capitations were directly incorporated in the development of the 2027 rates.

The rate development for these rates is based on single risk pool experience consistent with 45 CFR 156.80. The experience of transitional plans is not included in the projection period, consistent with DIFS guidance that those plans may continue an additional year¹. To improve credibility, AHL utilizes data from its other blocks of business to assist with development of pricing assumptions for this rate filing.

Time Period of Data

The claims incurred in the experience for both non-capitated and capitated services reflect payments incurred January 1, 2025 – December 31, 2025 and paid through February 28, 2026.

Current enrollment and premium are calculated as of February 2026.

Premiums in Experience Period

The earned premium reported in Worksheet 1 Section I of the URRT reflects the sum of member level premium for the experience period. AHL's experience premium is an earned premium and is not net of its estimated experience risk adjustment payments, per Unified Rate Review instructions.

Allowed Claims and Incurred Claims during the Experience Period

AHL's incurred claims include fee-for-service claims and prescription drug claims. In addition, AHL has a small amount of capitated hearing claims. Finally, there are some network administrative fees that are paid similar to a FFS claim and are claim related costs.

¹ https://www.michigan.gov/documents/difs/ADA_2020-06-M_682133_7.pdf

All medical, prescription drug claims, as well as any associated network administrative fees, are processed internally on AHL's claims system. Capitated hearing claims are processed externally.

- IBNR Methodology.
 - We utilize experience claims on a completed basis by using lag development factors from lag triangles based on AHL small and large group experience. This method estimates the portion of claims still outstanding for each incurred month based on claims that have been paid to date using past and historic time lags in AHL's medical and prescription drug claim data between the month of service (i.e., the incurred month) and the month of claim processing (i.e., the processed month).
 - IBNR estimates were not unusually high or low, given the amount of runout on the experience period.

Table 2 displays a breakdown of the small group allowed claims, incurred paid benefits, and earned premium for AHL's experience.

Table 2 Alliance Health and Life Insurance Company 2025 CY Experience Period			
	Allowed	Paid	Premium
Claims Paid through Feb 2026	102,213,225	83,283,962	
Incurred But Not Reported (IBNR)	4,349,540	3,461,395	
Earned Premium			105,081,352
Total	106,562,765	86,745,357	105,081,352

4.4.2 BENEFIT CATEGORIES IN WORKSHEET 1, SECTION II OF THE URRT

The experience period claim information by benefit category represents the experience for AHL's ACA-compliant small group medical plans.

Actual and projected 2025-2027 fee-for-service medical claims are included by service category:

- Inpatient Hospital: Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.
- Outpatient Hospital: Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation, and other services provided in an outpatient facility setting and billed by the facility.
- Professional: Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital-based professionals whose payments are included in facility fees.

- Other Medical: Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services, and other services. The measurement units for utilization used in this category are a mix of visits, cases, procedures, etc.

Actual and projected prescription drug claims net of experience rebates are included in the “Prescription Drug,” line in the URRT with a benefit category of “Prescriptions.” Adjustments to get to projected rebates are addressed in the Other section of the URRT.

4.4.3 PROJECTION FACTORS

4.4.3.1 Trend Factors

We have performed trend analyses and have evaluated its provider price increases by service category. We are applying an annual 11.5% trend assumption inclusive of COVID cost trend.

Table 3 Alliance Health and Life Insurance Company Trend Factors for URRT Years 1 and 2			
Service Category	Unit Cost Trend	Utilization Trend	Total Trend
Inpatient Hospital	7.1%	1.8%	9.0%
Outpatient Hospital	7.2%	5.6%	13.2%
Professional	6.3%	4.0%	10.6%
Other Medical	6.3%	5.7%	12.4%
Capitation	0.0%	0.0%	0.0%
Prescription Drug	5.7%	5.9%	12.0%
Total			11.5%

Note: Factors are rounded.

4.4.3.2 Other Adjustment Factors

Morbidity Adjustment

We assume a 0.0% change to the average morbidity between AHL’s pooled population underlying experience and AHL’s population anticipated for 2027.

Changes in Demographics

Within each product and metal, we assume AHL’s 2027 small group enrollment distribution by age and gender will mirror the demographics underlying AHL’s emerging 2026 enrollment.

The demographic factor illustrated in Worksheet 1, Section I of the URRT is composed of two parts: a change in geographic mix (~0.0%) and a change in age composition of the projected membership relative to the experience period membership (~0.5%).

Plan Design Changes

We adjust AHL's 2027 index rate to reflect anticipated changes in the average utilization of services due to differences in average 2026 cost sharing requirements and average 2027 cost sharing requirements. These changes decrease claims by 0.1%.

Our analysis of plan changes is based on a proprietary benefit model provided by Milliman.

EHBs are consistent between the experience period and the 2027 projection period.

Other Adjustments

AHL has implemented slightly increased Rx rebates as a percent of claims relative to the experience period.

Table 4	
Alliance Health and Life Insurance Company	
Development of Other Adjustment Factors	
Change in Network Mix	1.000
Change in Rx Rebates	1.018
Resulting Other Factor Change	1.018

Note: Factors are rounded.

4.4.3.3 Manual Rate Adjustments

We determined AHL's small group experience of 192,215 member months is fully credible, and do not develop a manual rate.

4.4.3.4 Credibility of Experience

AHL assumes a 100% credibility threshold of 50,000 member months. AHL's ACA-compliant experience includes 192,215 member months, which is 100% credible.

4.4.3.5 Establishing the Index Rate

The experience period index rate represents the estimated total combined allowed EHB claims PMPM for AHL's non-grandfathered, non-transitional small group plans in Michigan. The index rate has not been adjusted for risk adjustment transfers, reinsurance / recoveries, or exchange fees. The experience period index rate reflects the actual mixture of demographics, area factors, plan mix, and morbidity of AHL's single risk pool.

The index rate for the projection period is a measurement of the average allowed claims PMPM for EHB benefits. The projected index rate reflects the projected 2027 mixture of demographics, area factors, and the projected morbidity that AHL expects to receive in the single risk pool. The projected index rate has not been adjusted for payments and charges projected under the risk adjustment and reinsurance programs, or for Exchange user fees.

We developed the 2027 projected index rate from the experience allowed claims PMPM. The experience index rate is \$554.39. The experience period and projected index rates exclude coverage of non-EHBs.

URRT Worksheet 1, Section II outlines the development of the projected index rate. The projected index rate for effective dates January 1, 2027 through December 31, 2027 is \$704.82. Quarterly trend increases of approximately 2.4% will apply to subsequent effective quarters throughout 2026 consistent with assumed annual claims trend.

4.4.3.6 Development of the Market-wide Adjusted Index Rate

The market-adjusted index rate is calculated as the index rate adjusted for all allowable market-wide modifications defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). Table 5 further below displays the development of the market-adjusted index rate.

Risk Adjustment

Projected Risk Adjustments

Risk transfer payments are estimated in aggregate using the published transfer payment formula (including the 14% reduction for administrative expenses) and considering AHL's expected parameter differences from the state averages. These risk adjustment transfer payments are allocated proportionally to all plans based on plan premiums.

The risk adjustment transfer estimated for 2027 is -\$16.50 PMPM. After including the \$0.18 PMPM risk adjustment administrative fee, the projected risk adjustment amount is -\$16.68 PMPM. The risk adjustment amount on an allowed basis is -\$20.36 PMPM, which is the -\$16.68 PMPM grossed up by the projected paid-to-allowed ratio of 0.819 ($-\$16.68 / 0.819$).

Exchange User Fees

AHL does not sell on the SHOP, so no exchange user fee applies.

Table 5 summarizes the development of the Market Adjusted Index Rate.

Table 5 Alliance Health and Life Insurance Company Michigan Small Group ACA Plans Market Adjusted Index Rate Development	
2027 Index Rate PMPM	\$704.82
Market Adjustments (Paid Basis)	
Net Risk Adjustment	(16.68)
Net Transitional Reinsurance	\$0.00
Exchange Fee	\$0.00
Total Market Adjustments (Paid Basis)	(16.68)
Paid to Allowed Ratio	0.819
Total Market Adjustments (Allowed Basis)	(\$20.36)
Market-Adjusted Index Rate PMPM	\$725.18

Note: Values are rounded.

4.4.4 PLAN ADJUSTED INDEX RATE

The market-adjusted index rate is adjusted to compute the plan-adjusted index rates using the following allowable adjustments:

Actuarial Value and Cost Sharing Adjustment

The CMS Actuarial Value Calculator was used to determine the metal level actuarial value for each plan.

The pricing actuarial value and cost-sharing adjustment were developed based on a proprietary benefit model provided by Terry Group. Relativities between plans were based on the differences in cost and utilization for varying levels of cost-sharing.

Provider Network, Delivery System, and Utilization Management Adjustment

AHL utilizes network factors that reflect the differences in provider prices. The network factors are estimated using provider reimbursement data.

Table 6 Alliance Health and Life Insurance Company Michigan Small Group ACA Plans Network Factors by Product		
Product	Product Name	Network Factor
MI040	PPO	1.016
MI041	EPO	0.930

Adjustment for Benefits in Addition to the EHBs

All products contain adult vision benefits. This projected 2027 allowed claims amount is \$0.74 PMPM.

Administrative Costs, Taxes and Fees, Margin and Risk Load

Tables 7 through 9 display the total expenses, margin, and taxes and fees.

We estimate AHL's administrative expenses to be \$82.73 PMPM, as shown in Table 7. This estimate is entered as a percent of premium that does not vary by plan in Worksheet 2, Section III of the URRT. It is based on AHL's estimate of 2027 projected expenses allocated to the small group line of business. This amount does not include any margin, risk load, taxes, or assessments described below.

Table 7
Alliance Health and Life Insurance Company
Michigan Small Group ACA Plans
Projected 2027 Administrative Expenses

	Administrative Expense	
	PMPM	% of Premium
General Admin	\$49.33	7.10%
Commission	\$32.78	4.72%
Commercial Reinsurance Recoveries	\$0.00	0.00%
Commercial Reinsurance Premiums	\$0.62	0.09%
Total Administrative Expense Load	\$82.73	11.91%

Note: Values are rounded.

Taxes and Fees

Table 8 displays the projected taxes and fees applicable in 2027. Taxes and Fees are equal to 1.50% of premium.

Table 8
Alliance Health and Life Insurance Company
Michigan Small Group ACA Plans
Summary of Taxes and Fees

Description	Taxes and Fees	
	PMPM	% of Premium
Comparative Effectiveness Research Fee	\$0.30	0.04%
Exchange Fee	\$0.00	0.00%
Health Insurer Provider Fee	\$0.00	0.00%
MI Insurance Provider Assessment	\$8.29	1.19%
Federal Income Tax	\$1.82	0.26%
Total Taxes and Fees	\$10.41	1.50%

Margin and Risk Load

We build in 1.25% of premium for a pre-tax (0.99% post-income tax) target contribution to surplus that does not vary by product or plan. In setting margin, we consider surplus requirements, the uncertainty of estimated claims in the 2027 market, and federal MLR requirements.

Table 9 summarizes all components of non-benefit expense loads to paid claims and calculates the total expense load factor needed.

Table 9 Alliance Health and Life Insurance Company Michigan Small Group ACA Plans Summary of Expense Factor Development		
Expense Item	Amount	Per Member Per Month
Administrative Costs (Table 8)	11.91%	\$82.73
Taxes and Fees (Table 9)	1.50%	\$10.41
Profit and Risk Load	0.99%	\$6.86
Total Expenses		\$99.99
Single Risk Pool Premium PMPM		\$694.46
Paid Claims and Risk Adjustment PMPM		\$594.18
Load to Claims for Expenses		1.1688

The development of the plan-adjusted index rates is shown in Exhibit 2. Note that the plan-adjusted index rate shown in Exhibit 2 will not exactly match URRT Worksheet II due to URRT rounding conventions.

4.4.5 CALIBRATION

Age Curve Calibration

The approximate average age of the single risk pool to equal the correct age calibration factor is 45.7. The age curve calibration is applied to all plans. We composite the CMS-approved age factors by the projected membership at each age based on current membership. We then round the weighted average age factor to the nearest table value to determine the average rounded age. Our development of the weighted average age calibration complies with the standard age curve methodology and with applicable rating rules. Exhibit 3A displays the development of the age calibration factor.

Geographic Factor Calibration

We apply geographic rating factors to our plans as shown in Table 10. The geographic rating factors were developed based on projected provider reimbursement discounts in each geographic area. Since credibility at the geographic rating area is lower, some actuarial judgement was used in setting final factors. The area calibration factor is 1.0000.

Table 10 Alliance Health and Life Insurance Company Michigan Small Group ACA Plans Geographic Factors	
Rating Area	Factor
Area 1	1.0090
Area 2	0.9891
Area 3	1.0117
Area 4	1.3146
Area 5	0.9728
Area 6	0.9781
Area 7	1.0908
Area 8	1.0307
Area 9	1.0485
Area 10	1.0485
Area 11	1.0485
Area 12	1.0485
Area 13	1.0504
Area 14	0.9781
Area 15	0.9781

The development of the plan-adjusted calibrated index rates is shown in Exhibit 3B. Note that the calibrated plan-adjusted index rate shown in Exhibit 3B will not exactly match URRT Worksheet II due to URRT rounding conventions.

4.4.6 CONSUMER-ADJUSTED PREMIUM RATE DEVELOPMENT

The consumer-adjusted premium rate is the final premium rate for a plan charged to a small group utilizing the rating and premium adjustments, as articulated in the applicable market reform rating rules. It is the product of the plan adjusted index rate (Exhibit 2), the age rating factor (Exhibit 3A), the geographic rating factor (Table 10), the quarterly trend factor (Exhibit 4), and the tobacco rating factor of 1.000 for children and adults (no exhibit).

Exhibit 4 illustrates the development of a sample consumer plan adjusted index rate using the factors noted above.

4.5 PROJECTED LOSS RATIO

The projected loss ratio in the URRT is 85.20%. URRT loss ratio includes the risk adjustment in the denominator.

The projected loss ratio based on federally prescribed MLR methodology (with risk adjustment in the numerator) but prior to any MLR adjustments is 87.53%.

Table 11	
Alliance Health and Life Insurance Company	
Projected Federal Medical Loss Ratio	
Projected Member Months	202,140
MLR Numerator Calculations	
Paid Claims PMPM	\$577.50
Claim-Related Retention (QI / Health IT) PMPM	\$4.57
Other Claim-Related Adjustments	\$0.00
Risk Adjustment Paid (Received) PMPM	\$16.68
Market Reinsurance Recoveries (Received) PMPM	\$0.00
MLR Numerator	\$598.75
MLR Denominator Calculations	
Premium PMPM	\$694.46
Other Premium Related Adjustments	\$0.00
Premium-Related Retention (Taxes and Fees) PMPM	(\$10.41)
MLR Denominator	\$684.05
Medical Loss Ratio	87.53%

4.6.1 PLAN PRODUCT INFORMATION

4.6.1 AV METAL LEVELS

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed using the Final 2027 CMS Actuarial Value calculator and are shown in Exhibit 5 for each plan.

We employed an alternative methodology in the following instances:

- Rx Generic copay – some 2065 plan designs have preferred and non-preferred generic copays. The federal AV calculator only accommodates a single generic copay input. We estimated the usage of preferred and non-preferred using actual utilization experience of Health Alliance Plan members to derive a blended copy.
- Rx Specialty Coinsurance Maximum and Coinsurance Percent – some plans had preferred and non-preferred coinsurance maximums and coinsurance percentages. The AV calculator can only accept a single parameter for these. We used actual experience to calculate a single blended input for the calculator.

- **Maximum Coinsurance** – Adjustments were made for plans with member specific coinsurance maximums. For these plans, once the member coinsurance maximum is reached, the member is still responsible for fixed dollar copayments.

To estimate this in the AV calculator, we used actual experience to calculate the average amount of fixed copay out-of-pocket payments that would be made under the plan and used this to adjust the MOOP that is input into the calculator.

4.6.2 MEMBERSHIP PROJECTIONS

AHL's current and projected membership (as displayed in Worksheet 2 of the URRT) is detailed in Exhibit 6. Projected membership is based on February 2026 membership and anticipated changes in take-up rates due to the competitive position of AHL.

4.6.3 TERMINATED PLANS AND PRODUCTS

The plan IDs that will be terminated prior to January 1, 2027 and mappings to existing or new plans are shown in Exhibit 7.

4.6.4 PLAN TYPE

AHL's plans are PPO plans as noted in Worksheet 2, Section I of the URRT.

4.7.1 EFFECTIVE RATE REVIEW INFORMATION

Supplemental Health Care Exhibit (SHCE)

We provide a reconciliation between the SHCE and URRT experience period premiums and incurred claims shown in Exhibit 8.

Autism Benefits

Autism benefits are compliant with Order No. 14-017M.

Abortion Benefits

Elective abortion benefits are not covered.

4.7.3 ACTUARIAL CERTIFICATION

I, John Diorio, am an Actuary with HAP. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. This filing is prepared on behalf of Alliance Health and Life Insurance Company.

I certify to the best of my knowledge and judgment:

1. The projected index rate is:
 - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.02)
 - Developed in compliance with the applicable Actuarial Standards of Practice
 - Reasonable in relation to the benefits provided and the population anticipated to be covered

- Neither excessive nor deficient, based on my best estimates of the 2027 small group market
- 2. The index rate and only allowable modifications as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
- 3. The geographic rating factors shown in Worksheet III reflect only differences in the costs of delivery (e.g., unit costs, provider practice pattern differences) and do not include differences for population morbidity by geographic area.
- 4. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans.

The Part I Unified Rate Review Template (URRT) does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulations to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges, and for certification that the index rate is developed in accordance with Federal regulations and used consistently, and only adjusted by the allowable modifications.

The 2027 plan year premium rates provided in this Actuarial Memorandum were developed based upon the current Affordable Care Act (ACA) statutes and regulations, relevant CMS and HHS guidance, Executive Orders, and court decisions in full force and effect as of date this Actuarial Memorandum is submitted.

Accordingly, the 2027 plan year premium rates provided in this Actuarial Memorandum are contingent upon the current ACA statutes and regulations, relevant CMS and HHS guidance, Executive Orders, and court decisions not changing. Accordingly, Alliance Health and Life Insurance Company retains and reserves the right to amend this Actuarial Memorandum and 2026 plan premium rates should there be any changes to the ACA statutes and regulations, relevant CMS and HHS guidance, Executive Orders, and court decisions. Any such changes will not be implemented without DIFS approval and any filings for subsequent rate changes will not be submitted without first receiving guidance from DIFS that it is appropriate to do so.

The information provided in this Actuarial Memorandum is in support of the items illustrated in the URRT and does not provide an actuarial opinion regarding the process used to develop proposed premium rates. It does certify that rates were developed in accordance with applicable regulations, as noted.

The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions. Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis.

Respectfully submitted,



John Diorio, ASA, MAAA